

U.S. and Regional Economic Outlook

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NW Mountain Minority Supplier Development Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Economic news continues to suggest risks to forecast

- Upside:
 - Declining initial unemployment claims
 - Net monthly employment gains average over 240,000 jobs this year
 - Lower gasoline prices
 - Lower mortgage rates
- Downside:
 - Slowing Chinese, Japanese, European economies
 - Lackluster housing activity
 - Instability in Middle East, Ukraine/Russia



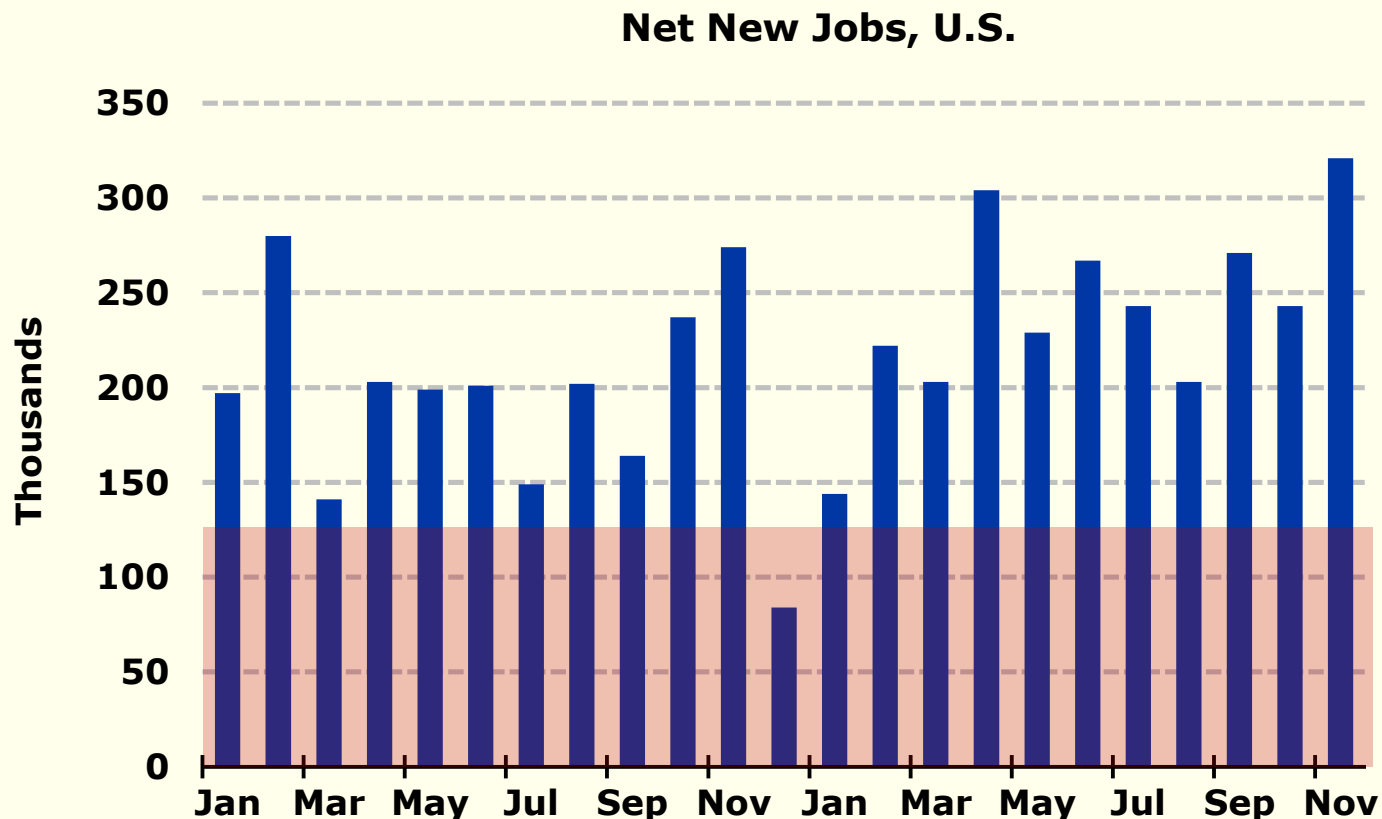
Unemployment claims are at pre-recession levels





Monthly job growth has averaged over 240,000 net new jobs this year

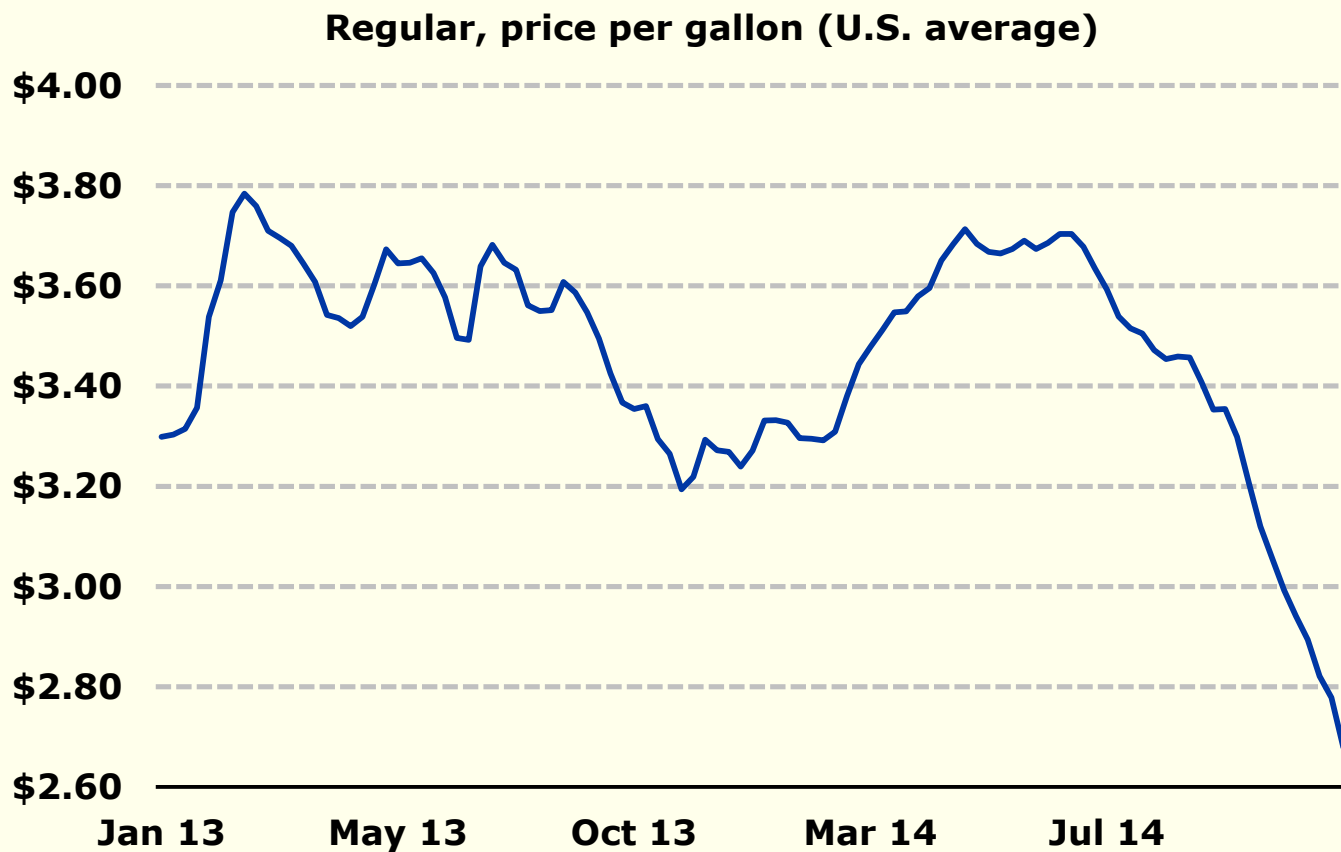
The economy needs to add roughly 125K jobs each month just to keep up with growth in the labor force



Source: Bureau of Labor Statistics, data through November 2014

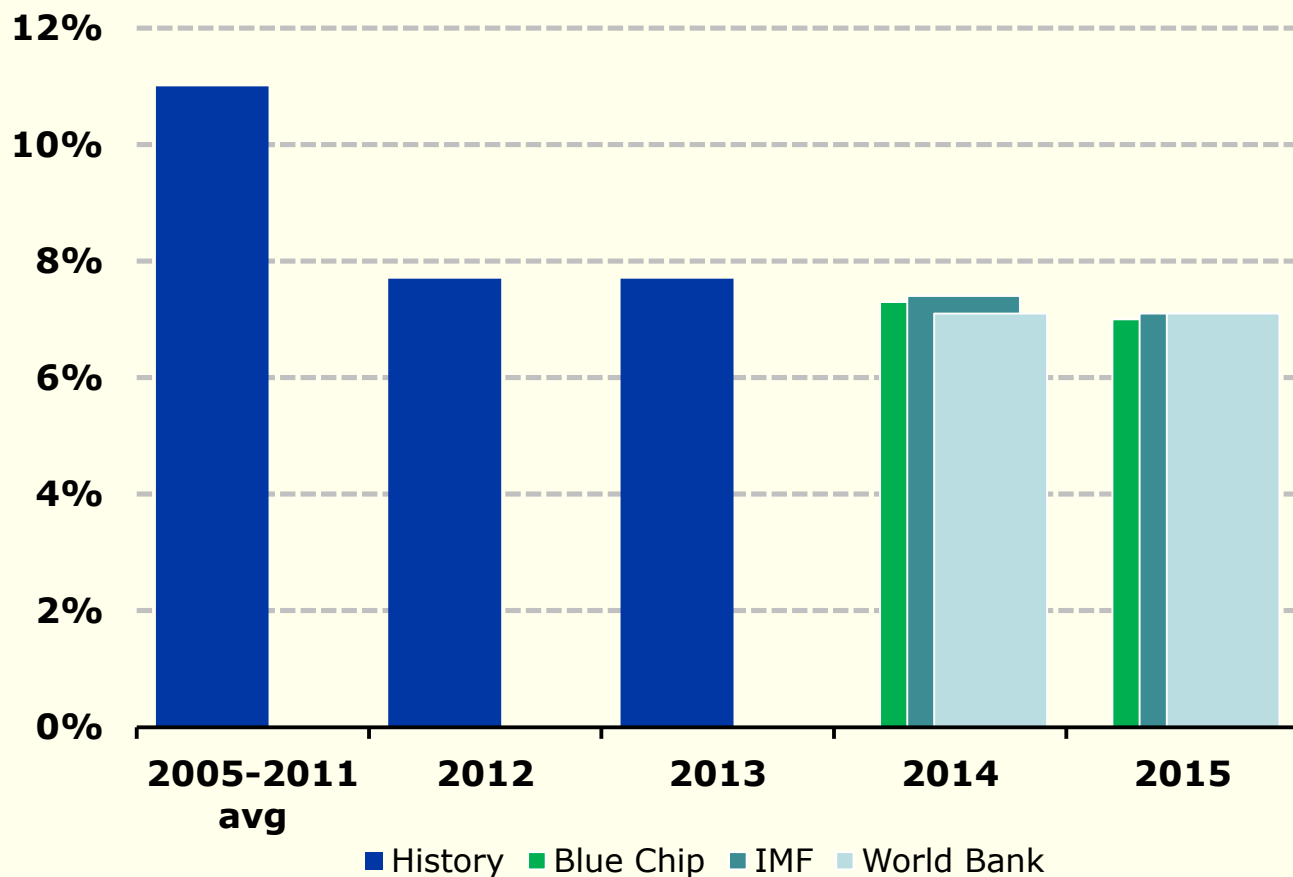


Gasoline prices are falling





China's 2014 & 2015 GDP growth expected to be below 2013 rate

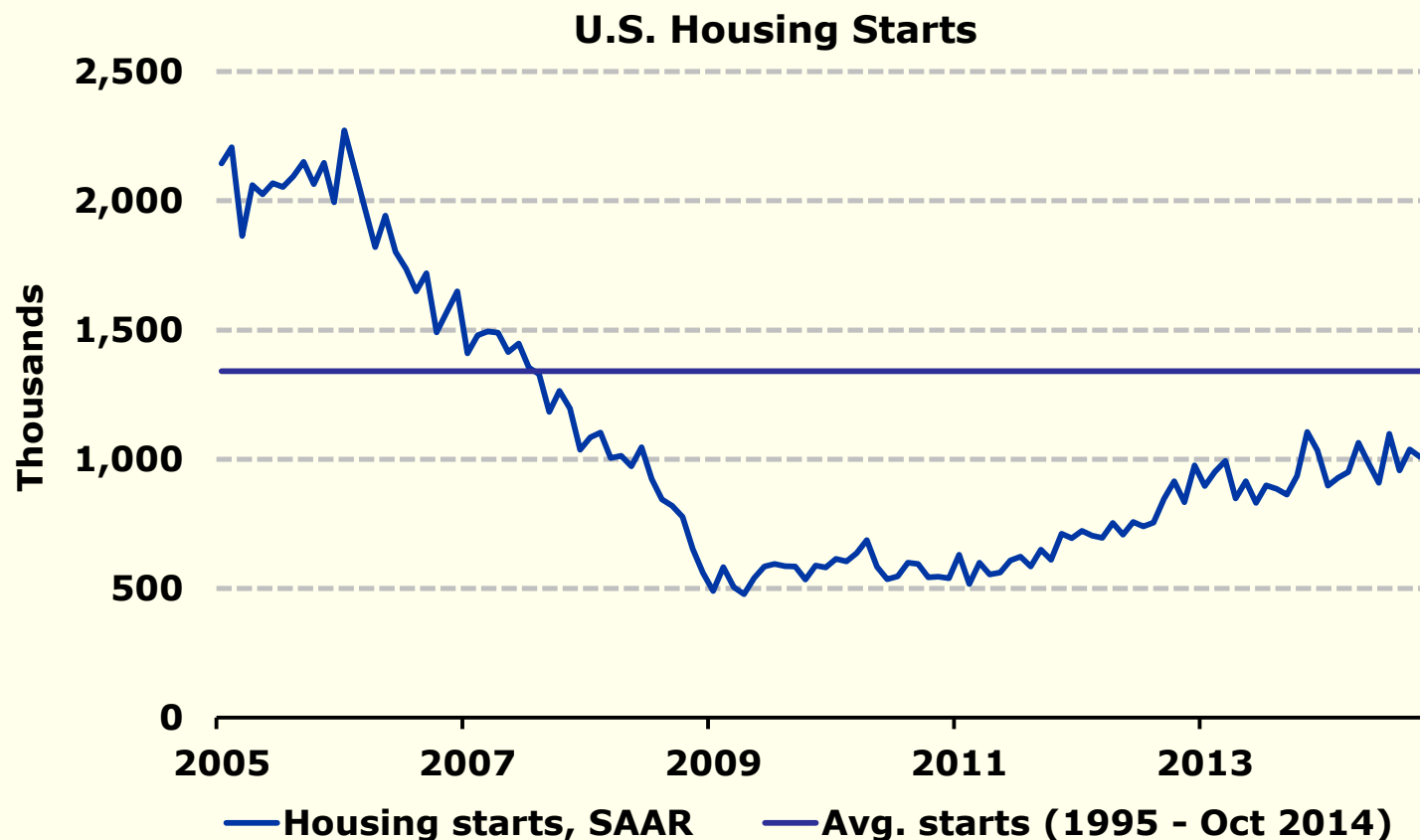


Source: Blue Chip, IMF; data and forecasts through November 2014; World Bank, June 2014 forecast

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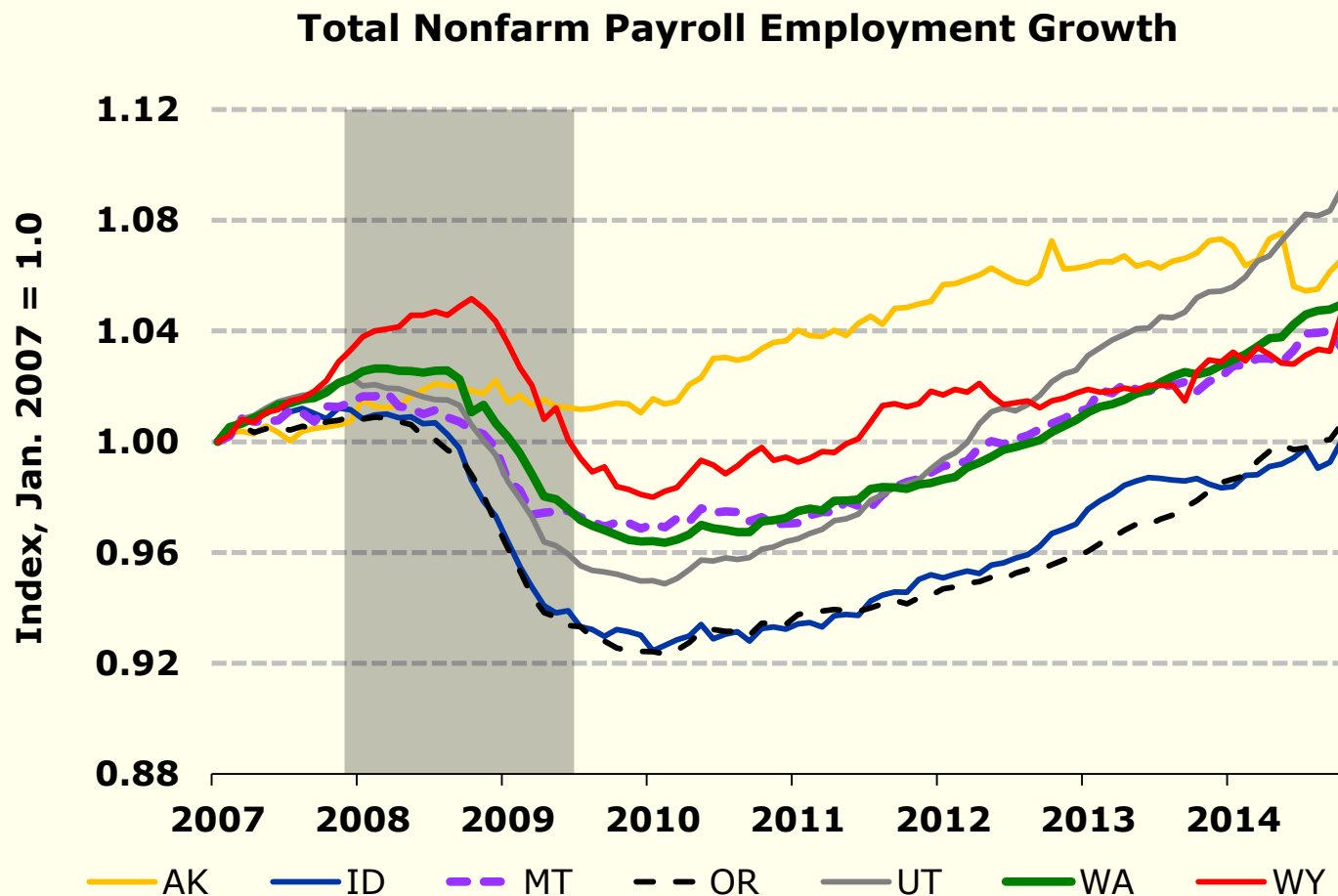


Housing starts are trending up but remain below historic average





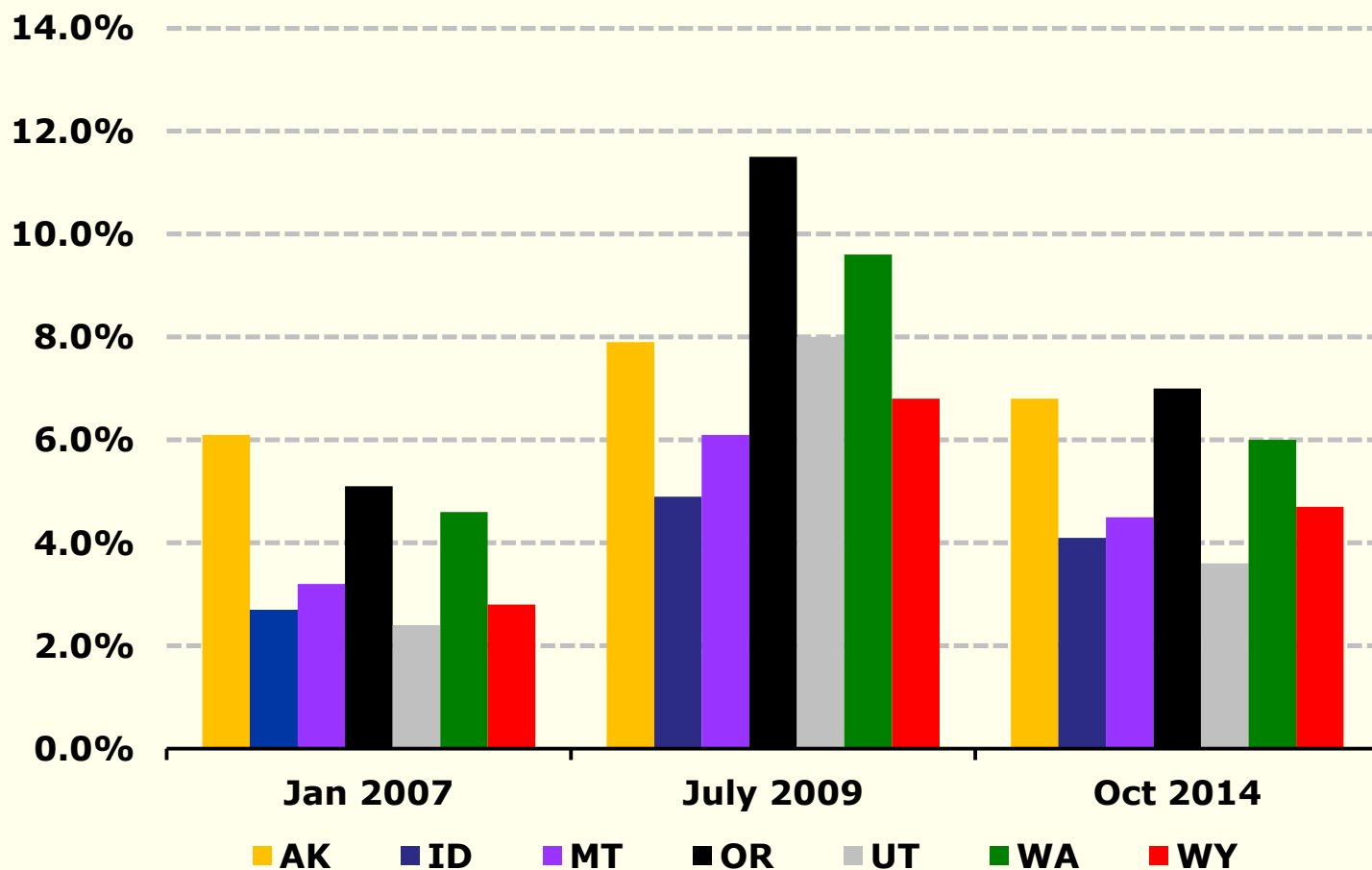
Employment growth since 2007



Source: BLS; data through October 2014



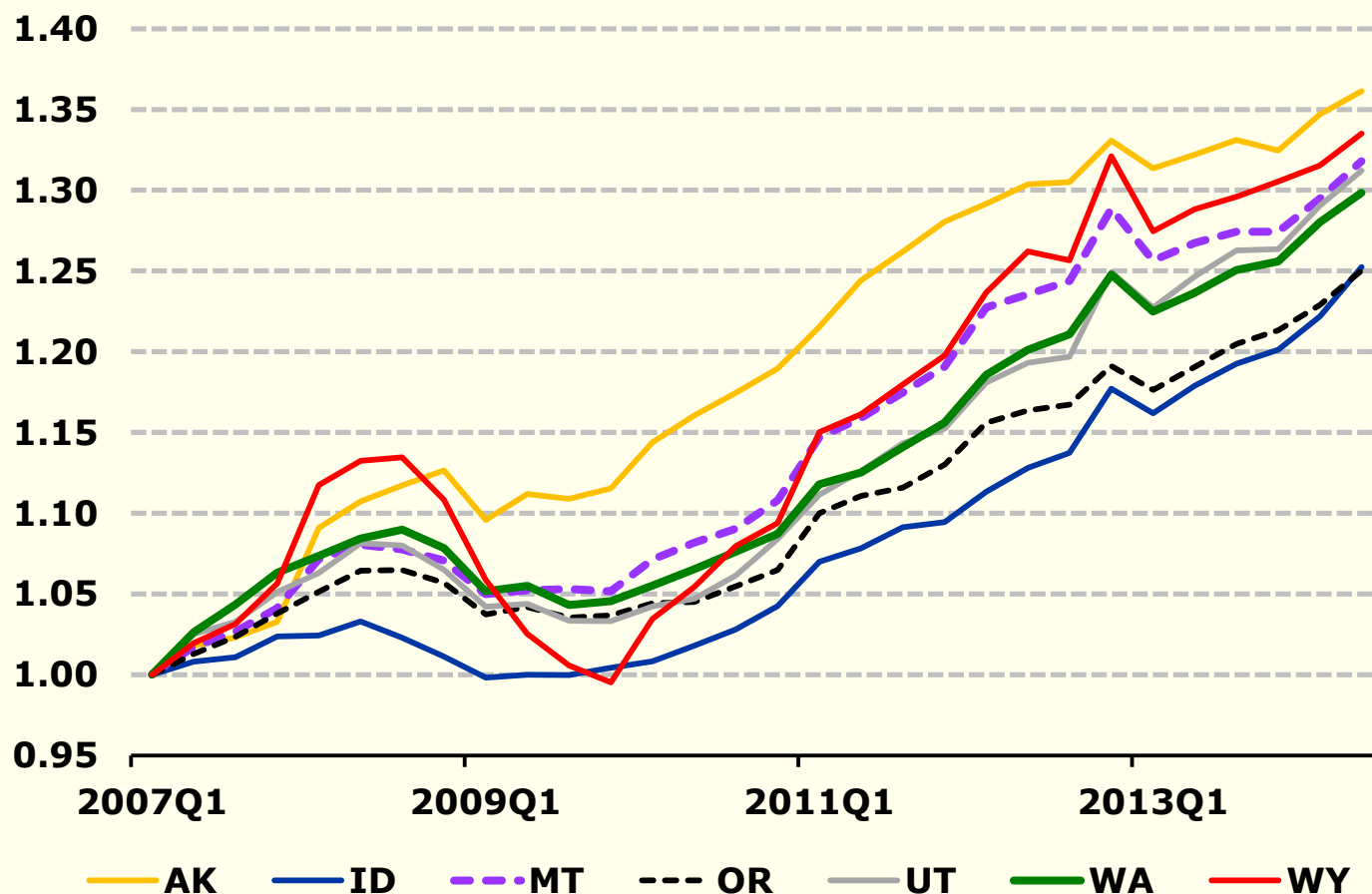
State unemployment rates



Source: BLS; data through October 2014



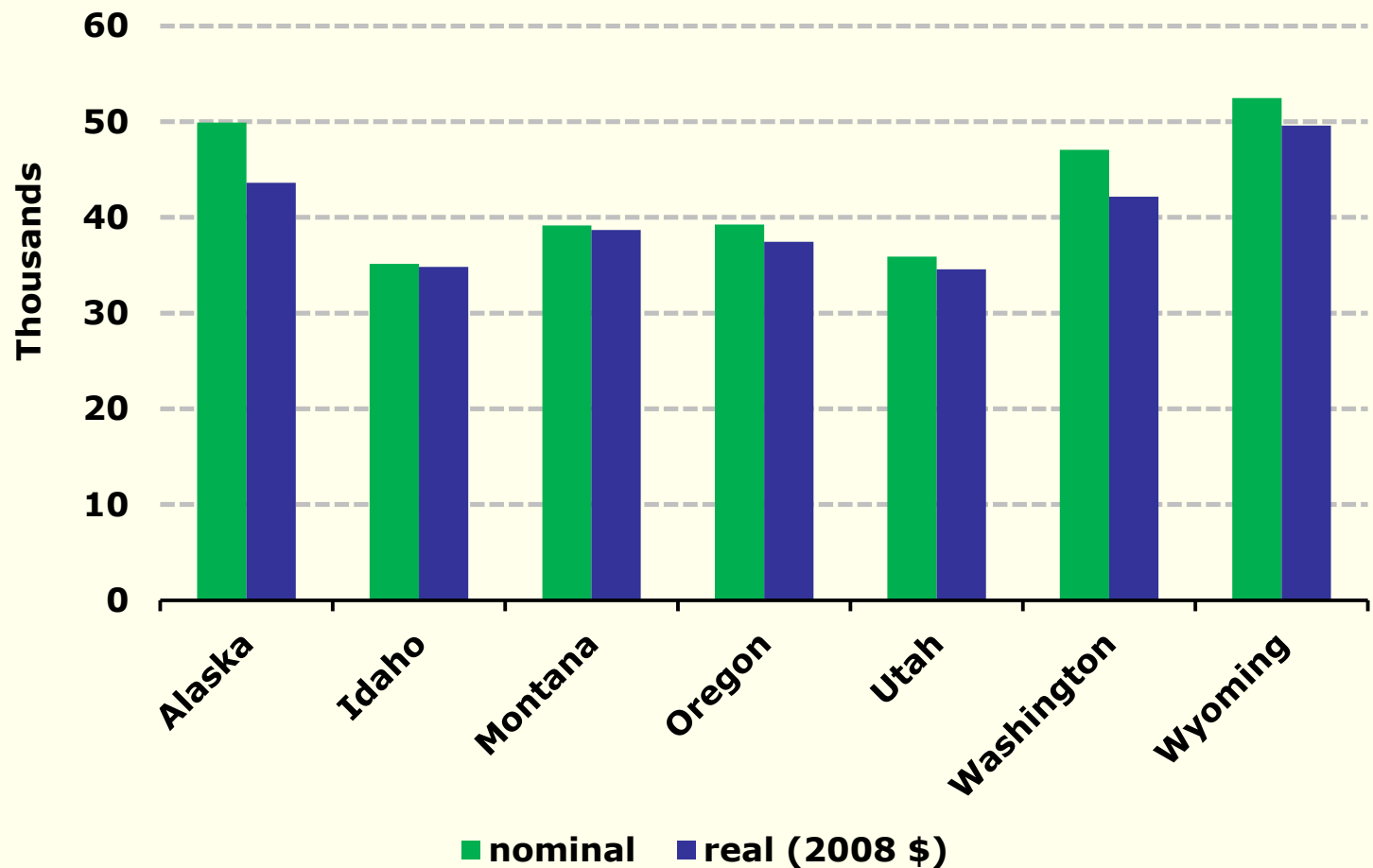
Personal income growth since 2007



Source: BEA; data through 2014 Q2



Per capita personal income, 2012



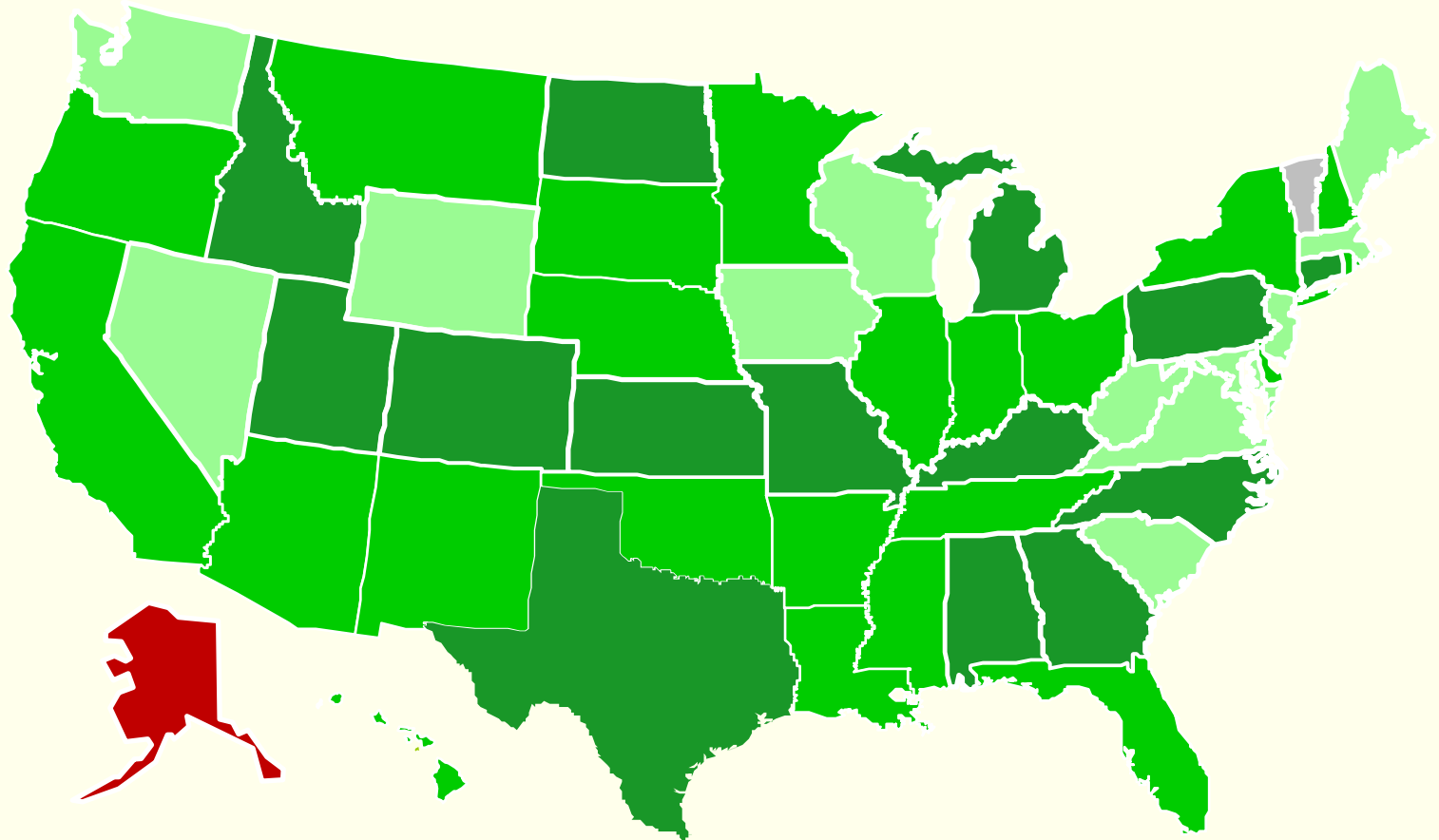
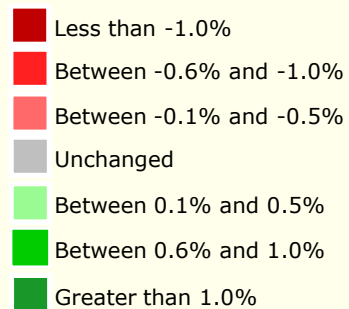


State Coincident Economic Indexes

July – October
2014

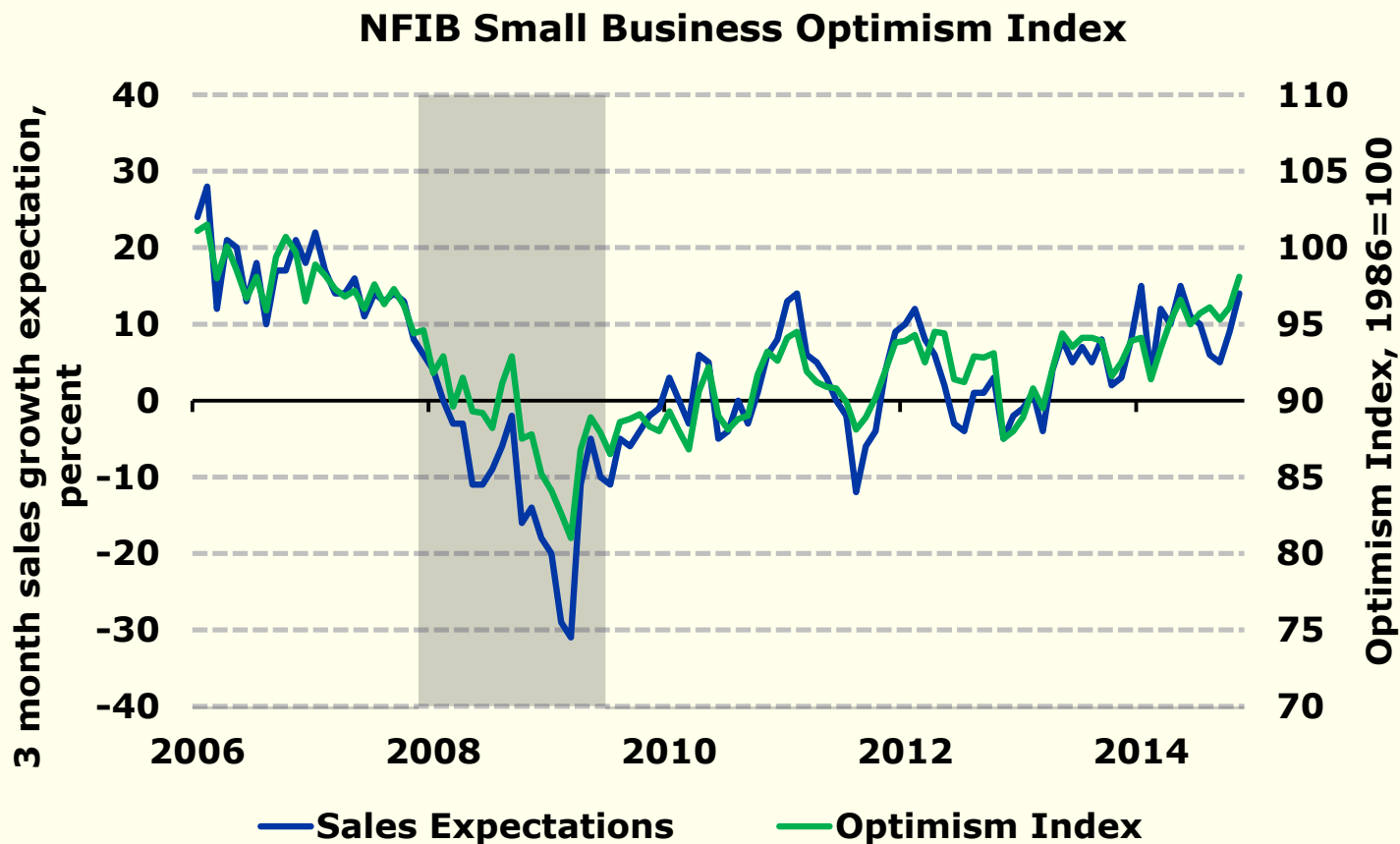
U.S.
0.9%

Washington
0.4%



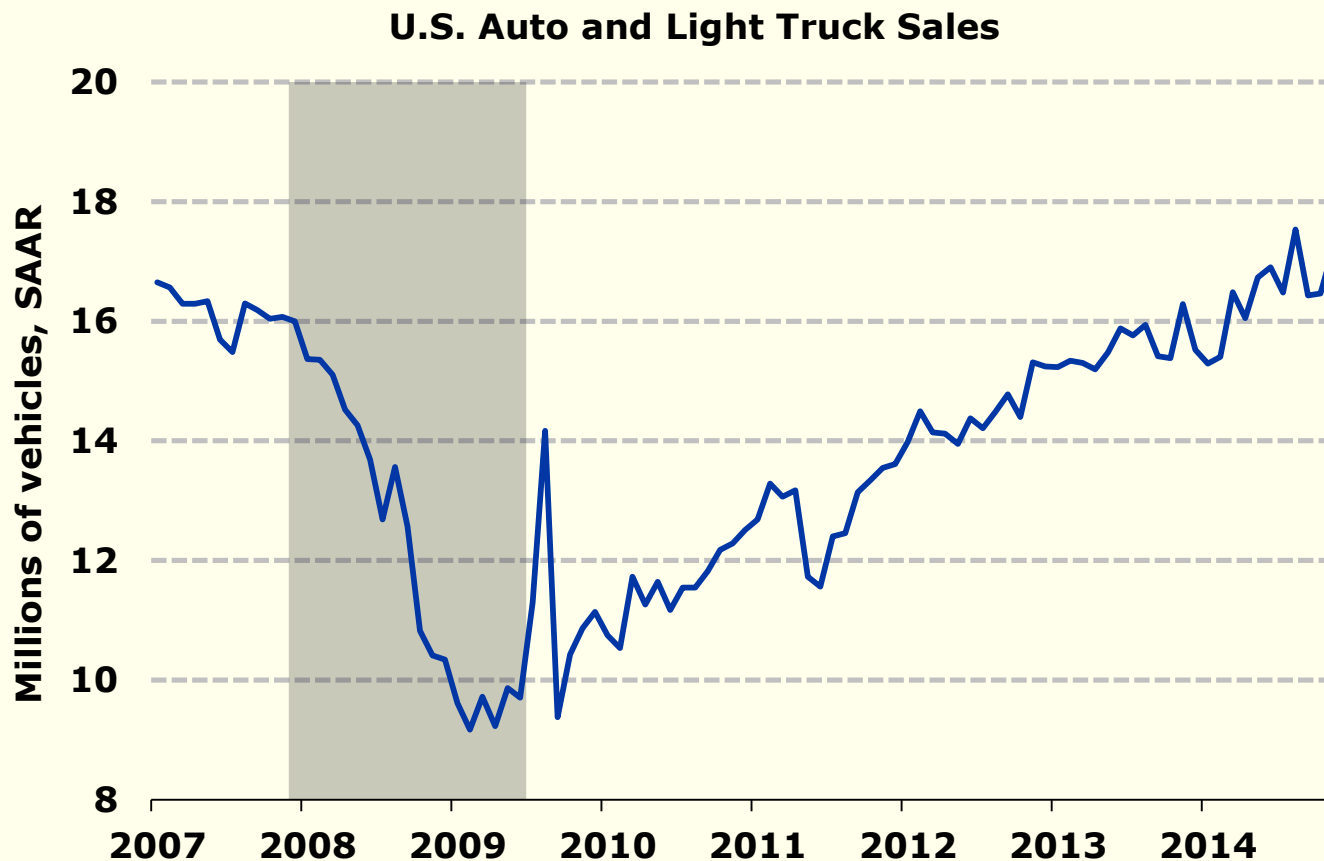


Small business optimism and sales expectations getting back to pre-recession levels





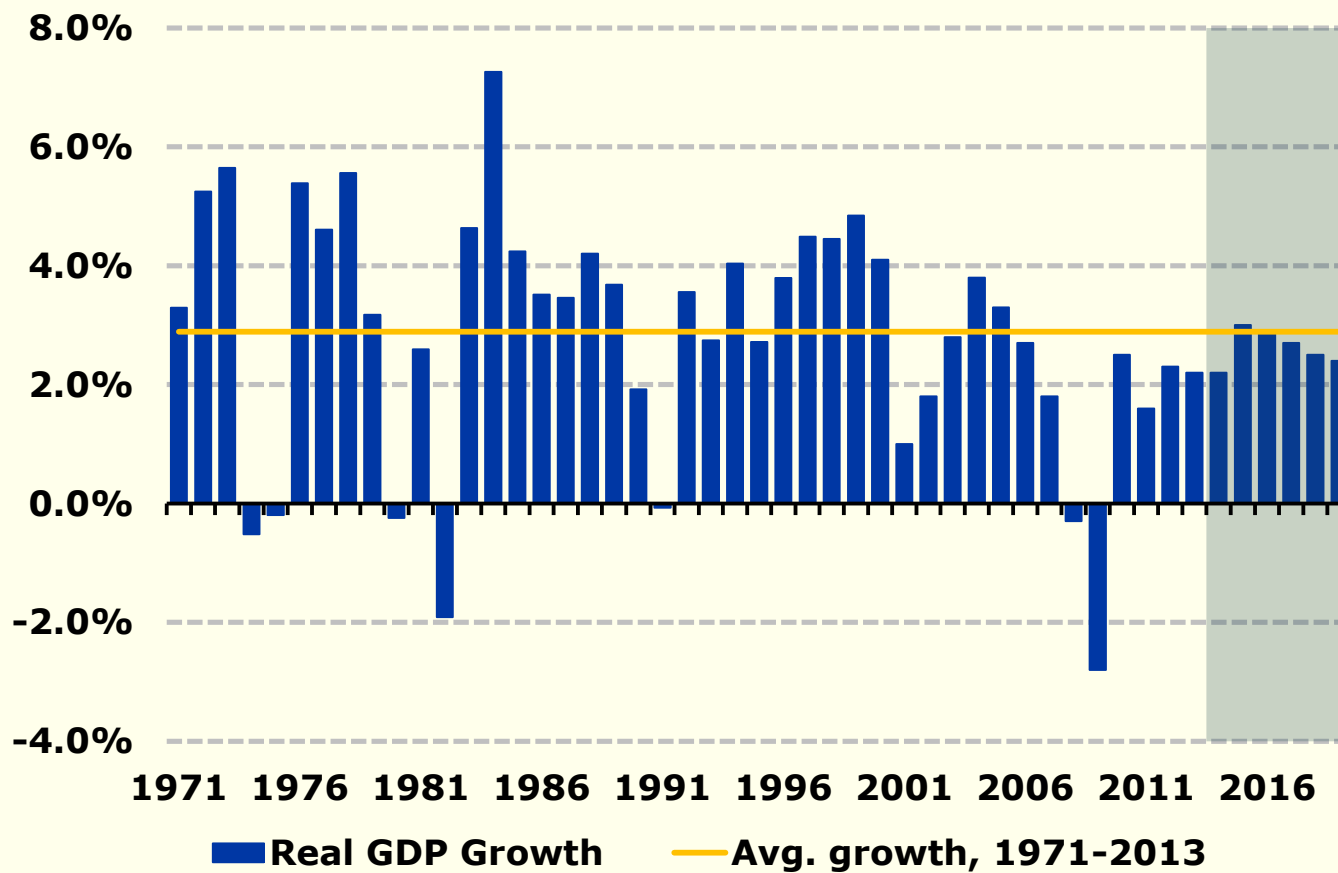
Auto and light truck sales have improved



Source: Autodata Corporation; data through November 2014



U.S. economic growth has been slower than in past recoveries

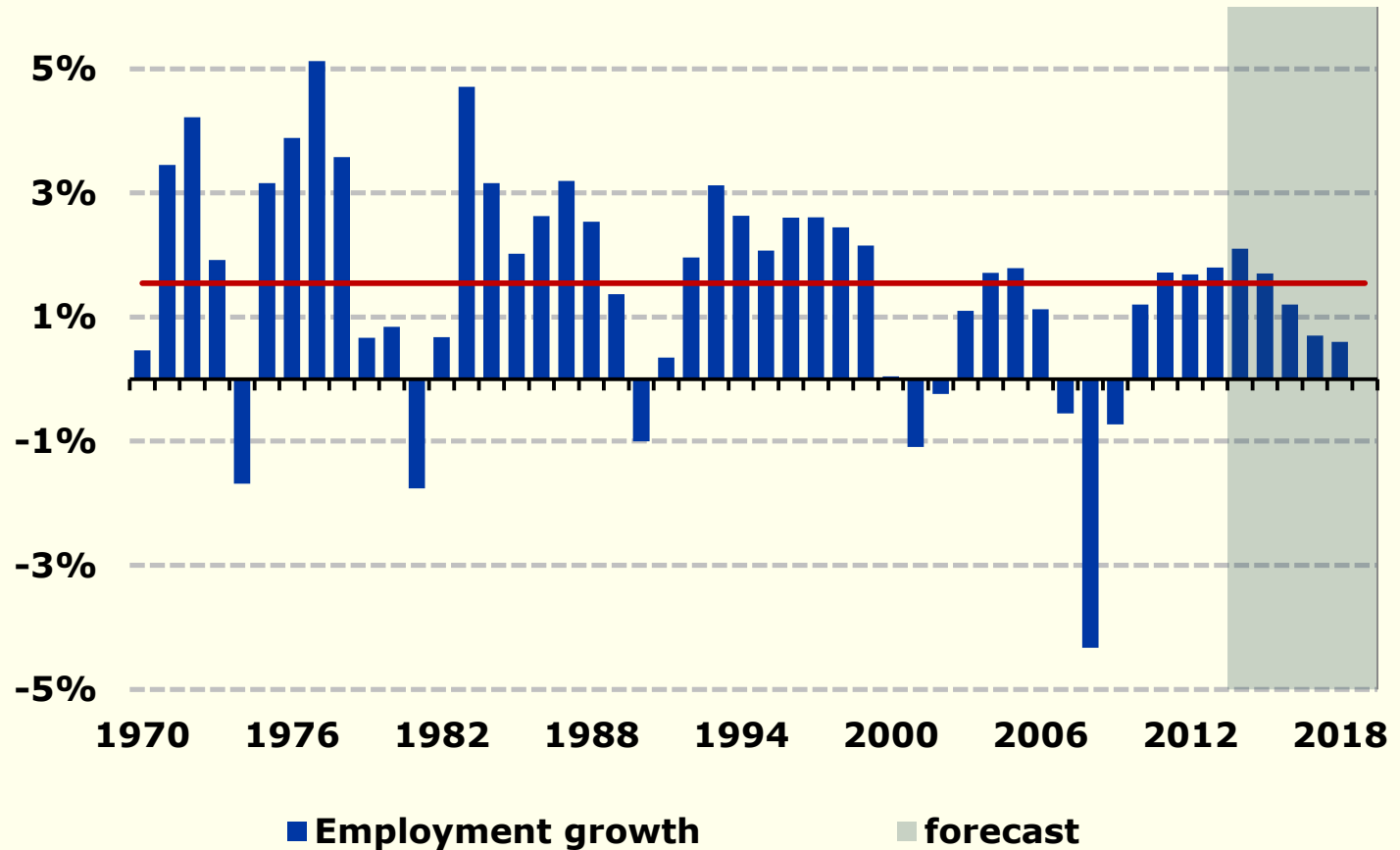


Source: BEA, historical data through 2013; ERFC November forecast 2014-19

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Demographics and declining unemployment will slow employment growth





Average U.S. wage growth is barely outpacing inflation



Source: U.S. Bureau of Labor Statistics, data through October 2014

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Number of long-term unemployed workers remains high

Long-term unemployed as share of all unemployed:

Apr. 2010:
45%

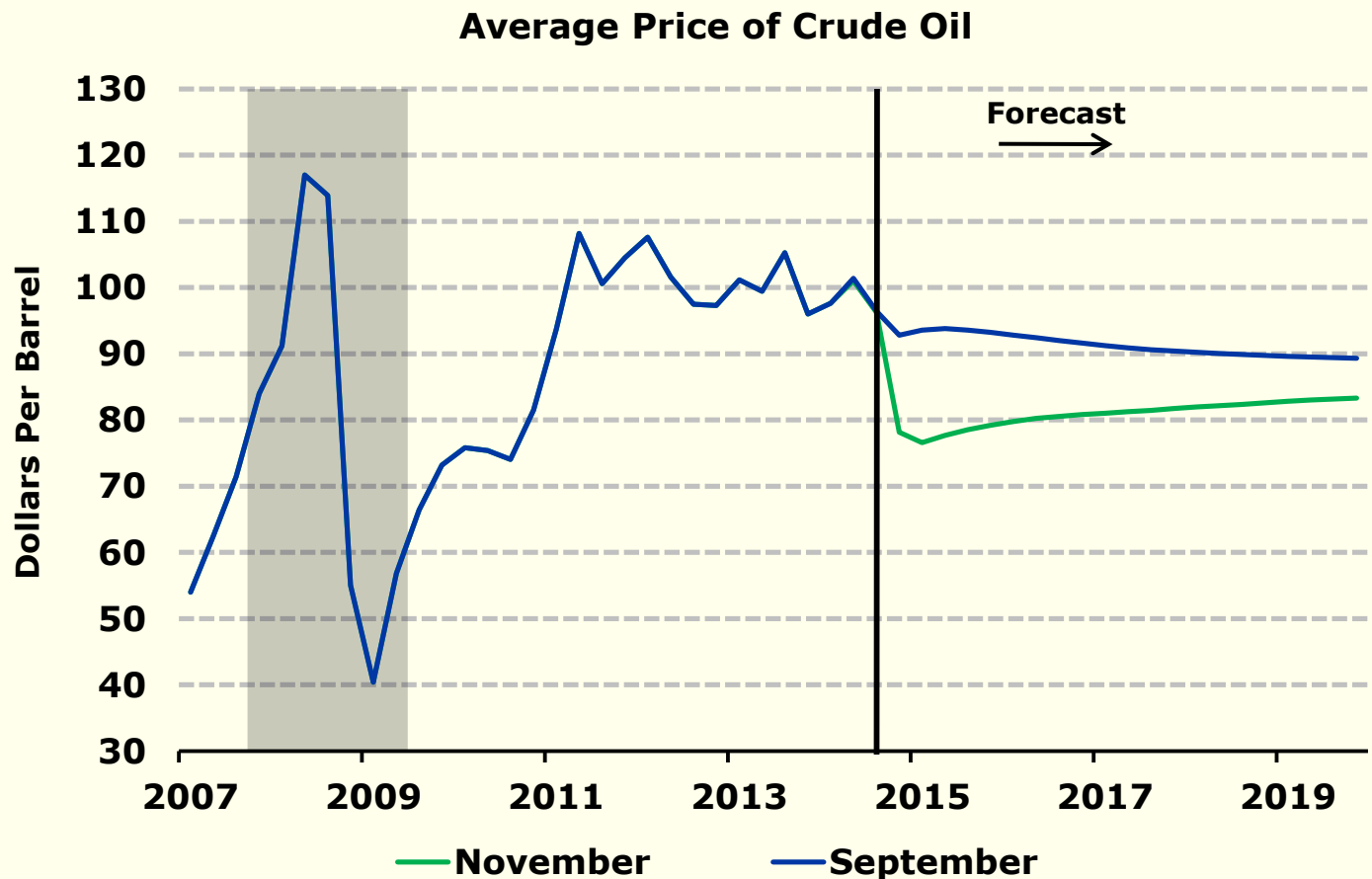
Nov. 2014:
31%



Source: Bureau of Labor Statistics; data through November 2014



Oil prices lower in the near term but no longer decline throughout the forecast



Source: DOE, ERFC November 2014 forecast; historical data through 2014Q3



Conclusion

- The economic forecast is quite similar to September's forecast, with the exception of lower oil prices
- We expect the moderate pace of the economic recovery to continue in both the U.S. and Washington economies
- Washington's economy will continue to be slightly stronger than the nation as a whole
- The level of uncertainty in the baseline remains high, with greater risks on the downside than on the upside



Questions



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